

Michigan 47th District Court

**Financial Report
with Supplemental Information
June 30, 2008**

Michigan 47th District Court

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Independent Auditor's Report

To District Judges Marla E. Parker
and James B. Brady and the
Members of the City Councils
of Farmington and Farmington Hills
Michigan 47th District Court
Farmington Hills, Michigan 48336

We have audited the accompanying financial statements of the governmental activities, the Administration Fund, and the fiduciary fund information of Michigan 47th District Court, which collectively comprise the Court's basic financial statements as of and for the year ended June 30, 2008. These financial statements are the responsibility of Michigan 47th District Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the Administration Fund, and the fiduciary fund information of Michigan 47th District Court and the respective changes in financial position thereof for the year ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To District Judges Marla E. Parker
and James B. Brady and the Members of the City
Councils of Farmington and Farmington Hills
Michigan 47th District Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 9, 2008

Michigan 47th District Court

Management's Discussion and Analysis

Our discussion and analysis of Michigan 47th District Court's (the "Court") financial performance provides an overview of the Court's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Court's financial statements.

The Court is a joint venture of the City of Farmington and the City of Farmington Hills. Its financial activities are comprised of two major functions - the operation of the Court and its trust and agency transactions. The operation of the Court is reported in its Administration Fund. The trust and agency activities of the Court are reported in Fiduciary Funds.

Using this Annual Report

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements include information that presents two different views of the Court:

- The first column of the financial statements includes information about the Court's Administration Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Court's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government-wide financial statement column provides both long-term and short-term information about the Court's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Court as a whole and present a longer-term view of the Court's finances. These statements tell how these services were financed in the short term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

Michigan 47th District Court

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The table below depicts key financial information for the Administration Fund in a condensed format, in thousands of dollars:

	2008	2007
Assets		
Current assets	\$ 416	\$ 387
Capital assets	50	91
Total assets	466	478
Liabilities		
Other liabilities	242	361
Installment purchase agreements	195	68
Total liabilities	437	429
Net Assets		
Invested in capital assets	8	23
Restricted for drunk driving-related expenses	18	24
Unrestricted	3	2
Total net assets	<u>\$ 29</u>	<u>\$ 49</u>
Revenue		
Contributions:		
City of Farmington	\$ 457	\$ 466
City of Farmington Hills	2,916	2,573
State funding - Judicial salaries	91	91
Other	94	87
Total revenue	3,558	3,217
Expenses - Court services	<u>3,578</u>	<u>3,293</u>
Change in Net Assets	<u>\$ (20)</u>	<u>\$ (76)</u>

Michigan 47th District Court

Management's Discussion and Analysis (Continued)

The Court as a Whole

- The Court's primary source of revenues is contributions from the Cities of Farmington and Farmington Hills, Michigan, which represents 95 percent of total revenue.
- Salaries and fringe benefits continue to be a significant expense of the Court, representing 79 percent of the Court's total expenditures.
- The Court's Administration Fund's actual contributions from the cities were less than budgeted by \$129,864. This resulted from the Court using \$33,360 of drunk-driving funds to cover certain expenses and the Court spending less than was budgeted by \$100,416.

The Court's Fund

Our analysis of the Court's major fund is included on pages 7 through 9 in the first column of the respective statements. The fund column provides detailed information about the most significant fund, not the Court as a whole. The Court's major fund consists solely of the Administration Fund.

The Administration Fund budget is prepared by court administration and approved by the councils of the two cities. Substantially all of the expenditures of the Court are paid for by contributions from the two cities based upon an agreed formula for funding the Court.

The fund balances of the Court consist of legal reserves and imprest cash. Once per year, at the end of the Court's fiscal year, the two cities calculate the net expenditures of the Court and adjust their final contribution to set fund balances at the approved reserves. During the current year, fund balance was decreased by \$5,393.

Court Budgetary Highlights

In 2007, case filings increased for the second consecutive year. The 34,533 new case filings in 2007 were the highest number for the Court since 2002 and represented a 26.5 percent increase over 2005. Despite the increased workload, the Court was able to achieve efficiencies in a number of operational areas that enabled the Court to come in just over \$100,000 under budget for the fiscal year ended June 30, 2008.

At the personnel level, transition time between the leave dates of departing employees and the hire dates of their replacements accounted for savings in the salary and fringe areas. In addition, the Court's change to a less costly hospitalization insurance option for new employees and turnover from "family" and/or "employee and spouse" policies to "employee only" policies helped reduce hospitalization insurance costs.

Michigan 47th District Court

Management's Discussion and Analysis (Continued)

The Court was able to achieve noticeable cost savings in a number of operational line items despite the increasing workload. Most notable among these were savings in office supplies, postage, law library, and professional services (visiting judge expenses). Also, a number of the Court's statutory expense line items (witness fees, jury fees, interpreter fees) came in well under budget.

Two areas of note came in over budget. First, in the contractual services line item, we incurred additional costs for sheriff's deputies to staff the security station at the Court's entrance and we extended commitments on technology maintenance contracts. Second, the Court made a couple of year-end infrastructure investments that drove up the building maintenance line item costs. Those included the installation of a new gas line to the Court's generator and maintenance on the Court's boilers and chillers. These were unanticipated costs that were deemed necessary for safety and long-term building viability reasons.

Contacting the Court's Management

This financial report is intended solely to provide our funding units, citizens, and taxpayers a general overview of the Court's finances and to show the Court's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Court's administration.

Michigan 47th District Court

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2008

	Administration Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash and cash equivalents (Note 3)	\$ 252,539	\$ -	\$ 252,539
Due from other governmental units	9,585	153,334	162,919
Prepaid expenses and other assets	603	-	603
Capital assets - Net (Note 4)	-	49,705	49,705
Total assets	<u>\$ 262,727</u>	203,039	465,766
Liabilities			
Accounts payable	\$ 61,267	-	61,267
Due to other governmental units	129,918	-	129,918
Salary withholdings, accrued payroll, and payroll taxes payable	50,939	-	50,939
Noncurrent liabilities (Note 5):			
Due within one year	-	174,400	174,400
Due in more than one year	-	20,356	20,356
Total liabilities	242,124	194,756	436,880
Fund Balance			
Reserved - Drunk driving and drug case management appropriation (Note 6)	18,253	(18,253)	-
Unreserved	2,350	(2,350)	-
Total fund balance	<u>20,603</u>	<u>(20,603)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 262,727</u>		
Net Assets			
Invested in capital assets - Net of related debt		8,283	8,283
Restricted for drunk driving and drug case management related expenses (Note 6)		18,253	18,253
Unrestricted		2,350	2,350
Total net assets		<u>\$ 28,886</u>	<u>\$ 28,886</u>

Michigan 47th District Court

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2008

	Administration Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full-accrual Basis
Revenue			
Contributions:			
City of Farmington	\$ 457,463	\$ -	\$ 457,463
City of Farmington Hills	2,916,160	-	2,916,160
State funding:			
Judicial salaries	91,448	-	91,448
Drug court	2,694	-	2,694
Drunk driving	26,736	-	26,736
Miscellaneous income	63,425	-	63,425
Total revenue	3,557,926	-	3,557,926
Expenditures			
Salaries and wages	1,782,288	-	1,782,288
Employees' longevity pay	46,998	-	46,998
Fringe benefits	13,939	-	13,939
Insurance allowance	840	-	840
Vehicle allowance	3,600	-	3,600
Payment in lieu of hospital insurance	42,786	-	42,786
Social Security	134,165	-	134,165
Employees' hospitalization insurance	320,660	-	320,660
Employees' life insurance	23,490	-	23,490
Retirement contribution	367,296	-	367,296
Unemployment compensation	3,620	-	3,620
Workers' compensation	12,483	-	12,483
Employees' optical plan	3,164	-	3,164
Employees' dental plan	49,761	-	49,761
Office supplies	39,985	-	39,985
Postage	20,599	-	20,599
Records management	738	-	738
Law library	6,968	-	6,968
Professional services	8,544	-	8,544
Professional services - Labor relations	9,344	-	9,344
Witness fees	6,613	-	6,613
Jury fees	6,230	-	6,230
Interpreter fees	9,591	-	9,591
Substitute court reporter	11,250	-	11,250
Court-appointed counsel	94,810	-	94,810
Accounting fees	31,200	-	31,200
Audit and accounting fees	14,800	-	14,800

Michigan 47th District Court

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities (Continued) Year Ended June 30, 2008

	Administration Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full-accrual Basis
Expenditures (Continued)			
Contractual services	\$ 158,831	\$ (26,699)	\$ 132,132
Telecommunications	14,468	-	14,468
Transportation	4,173	-	4,173
Mileage	1,827	-	1,827
Public utilities	124,092	-	124,092
Maintenance - Office equipment	7,412	-	7,412
Building maintenance	84,072	-	84,072
Cleaning and uniforms	1,593	-	1,593
Equipment rental	13,454	-	13,454
Memberships	5,189	-	5,189
Miscellaneous	7,886	-	7,886
Banking charges	11,066	-	11,066
Insurance and bonds	36,318	-	36,318
Noncapitalized assets	5,485	-	5,485
Drug court	3,638	-	3,638
Capital outlay	18,053	(17,159)	894
Depreciation	-	58,843	58,843
Total expenditures	<u>3,563,319</u>	<u>14,985</u>	<u>3,578,304</u>
Excess of Expenditures Over Revenue/Change in Net Assets	(5,393)	(14,985)	(20,378)
Fund Balance/Net Assets - Beginning of year	<u>25,996</u>	<u>23,268</u>	<u>49,264</u>
Fund Balance/Net Assets - End of year	<u>\$ 20,603</u>	<u>\$ 8,283</u>	<u>\$ 28,886</u>

Michigan 47th District Court

Fiduciary Funds Statement of Assets and Liabilities June 30, 2008

	<u>Agency Fund</u>	<u>Trust Fund</u>
Assets - Cash and cash equivalents (Note 3)	<u>\$ 433,539</u>	<u>\$ 170,910</u>
Liabilities		
Due to City of Farmington Hills	\$ 244,262	\$ 2,142
Due to City of Farmington	62,994	336
Due to Municipal Building Fund	16,698	-
Due to State of Michigan	88,449	-
Due to Oakland County	18,382	-
Due to Secretary of State	2,754	-
Refundable bonds and other	<u>-</u>	<u>168,432</u>
Total liabilities	<u>\$ 433,539</u>	<u>\$ 170,910</u>

Michigan 47th District Court

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies

The accounting policies of Michigan 47th District Court (the "Court") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Court:

Reporting Entity

The Court is reported as a joint venture in the cities of Farmington and Farmington Hills, Michigan's basic financial statements. Based on the significance of any operational or financial relationships with the Court, there are no component units to be included in the Court's financial report.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Court's basic financial statements include both the Court's full accrual financial statements and modified accrual financial statements.

Full Accrual Financial Statements

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which are described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of net assets includes and recognizes all long-term assets, as well as long-term obligations. The Court's net assets are reported in three parts - invested in capital assets, restricted net assets, and unrestricted net assets.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Court's policy is to first apply restricted resources.

The statement of activities eliminates capital outlay expense and principal payments on installment purchase agreements and includes depreciation on long-term assets.

Michigan 47th District Court

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the full accrual financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Court has elected not to follow public sector standards issued after November 30, 1989 for its full accrual activities.

Modified Accrual Financial Statements

The Court's modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which are described below.

Grant and other revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay finance expenditures of the fiscal period. For this purpose, the Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Fine and fee revenue items are considered to be available only when cash is received by the Court. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period.

The accounts of the Court are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad categories as follows:

Governmental Funds

Administration Fund - The Administration Fund was established to account for the operations of the Court. The Administration Fund is funded principally by transfers from the City of Farmington Hills and the City of Farmington and reimbursements from the State of Michigan.

Michigan 47th District Court

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

Agency and Trust Funds - The Agency and Trust Funds report the collection of amounts that are subsequently returned or paid to third parties. Accordingly, the operations of the funds are limited to cash transactions.

Financial Statement Amounts

Cash and Cash Equivalents - The Court has defined cash and cash equivalents to include cash on hand and all highly liquid investments purchased with an original maturity of three months or less when acquired.

Capital Assets - Capital assets are defined by the Court as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Court only records capital assets paid for by the Administration Fund. The Court building and the majority of the furniture and equipment were paid for by the Farmington Hills Building Authority and are recorded on the financial statements of the City of Farmington and the City of Farmington Hills.

Computers and computer software are depreciated using the straight-line method over the useful life of five years. Equipment is depreciated using the straight-line method over the useful life of seven years.

Compensated Absences (Vacation and Sick Leave) - It is the Court's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. In the government-wide financial statements, a portion of the vacation and sick pay is accrued when incurred for the amount that would be paid out upon separation of the employee from the Court.

Long-term Obligations - In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity - In the fund financial statements, the governmental fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Michigan 47th District Court

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Reconciliation of the Court as a Whole and the Individual Fund Financial Statements

Total fund balance and the net change in fund balance of the Court's Administration Fund differs from the net assets and change in net assets of the Court's activities reported in the governmental fund balance sheet/statement of net assets and the statement of governmental revenue, expenditures, and changes in fund balance/statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the Administration Fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$	20,603
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources and are not reported in the funds	49,705
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Installment purchase obligations are not due and payable in the current period and are not reported in the funds	(41,422)
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Total Net Assets - Full Accrual Basis	\$	28,886
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Michigan 47th District Court

Notes to Financial Statements June 30, 2008

Note 2 - Reconciliation of the Court as a Whole and the Individual Fund Financial Statements (Continued)

Net Change in Fund Balance - Modified Accrual Basis	\$ (5,393)
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Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	17,159
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Depreciation is recorded as an expense in the statement of activities	(58,843)
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Repayment of installment purchase agreement is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	<u>26,699</u>
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Change in Net Assets - Full Accrual Basis	<u>\$ (20,378)</u>
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Note 3 - Deposits

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Court is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Michigan 47th District Court

Notes to Financial Statements June 30, 2008

Note 3 - Deposits (Continued)

The Court has designated two banks for the deposit of its funds. The investment policy adopted by the Court in accordance with Public Act 196 of 1997 has authorized investment in all investments permissible under Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) as listed above. The Court's deposits and investment policies are in accordance with statutory authority.

The Court's cash is subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Court's deposits may not be returned to it. The Court does not have a deposit policy for custodial credit risk. At year end, the Court had \$973,928 of bank deposits (checking accounts) that were uninsured and uncollateralized. The Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Court evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Court has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Money market account	\$ 135,909	Not rated	N/A

Michigan 47th District Court

Notes to Financial Statements June 30, 2008

Note 4 - Capital Assets

Capital asset activity of the Court was as follows:

	Balance July 1, 2007	Additions	Balance June 30, 2008
Capital assets being depreciated:			
Computers and computer software	\$ 118,921	\$ 17,159	\$ 136,080
Equipment	90,592	-	90,592
Subtotal	209,513	17,159	226,672
Accumulated depreciation:			
Computers and computer software	81,302	40,432	121,734
Equipment	36,822	18,411	55,233
Subtotal	118,124	58,843	176,967
Net capital assets being depreciated	<u>\$ 91,389</u>	<u>\$ (41,684)</u>	<u>\$ 49,705</u>

Note 5 - Long-term Debt

Outstanding Obligations

Installment purchase agreements are general obligations of the Court. The long-term debt activity can be summarized as follows:

	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Installment purchase agreement - AS400:						
Amount of issue - \$64,439						
Maturing through 2009	\$924-\$1,000	\$ 25,944	\$ -	\$ (11,270)	\$ 14,674	\$ 11,717
Installment purchase agreement - Konica Copier:						
Amount of issue - \$26,153						
Maturing through 2011	\$642	22,370	-	(6,078)	16,292	6,601
Installment purchase agreement - Telephone system:						
Amount of issue - \$53,131						
Maturing through 2009	\$767-\$825	19,807	-	(9,351)	10,456	9,722
Other long-term obligations - Accumulated employee benefits		<u>-</u>	<u>153,334</u>	<u>-</u>	<u>153,334</u>	<u>146,360</u>
Total long-term obligations		<u>\$ 68,121</u>	<u>\$ 153,334</u>	<u>\$ (26,699)</u>	<u>\$ 194,756</u>	<u>\$ 174,400</u>

Michigan 47th District Court

Notes to Financial Statements June 30, 2008

Note 5 - Long-term Debt (Continued)

Debt Service Requirements

The annual requirements to service all installment purchase obligations outstanding as of June 30, 2008, including principal and interest, are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 28,040	\$ 1,695	\$ 29,735
2010	10,856	554	11,410
2011	2,526	44	2,570
Total	<u>\$ 41,422</u>	<u>\$ 2,293</u>	<u>\$ 43,715</u>

Interest

Interest expense for the Court for the year ended June 30, 2008 was \$3,035.

Note 6 - Designated and Reserved/Restricted Fund Balance/Net Asset Activity

A summary of the current year activity related to the Court's drunk-driving and drug case management appropriation is as follows:

Reserved/Restricted fund balance/Net assets - July 1, 2007	\$ 23,646
Current year receipts from State of Michigan	27,967
Current year expenditures	<u>(33,360)</u>
Reserved/Restricted fund balance/Net assets - June 30, 2008	<u>\$ 18,253</u>

Michigan 47th District Court

Notes to Financial Statements June 30, 2008

Note 7 - Budget Information

The annual budget of the Administration Fund is prepared by Court management and adopted by the city councils of the City of Farmington and the City of Farmington Hills, Michigan in May for the following fiscal year; subsequent amendments are approved by both city councils. During the current year, there were no budget amendments. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2008 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (statement of revenue, expenditures, and changes in fund balance - budget and actual - Administration Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The Administration Fund budget has been adopted in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the Administration Fund budget as adopted by the respective city councils is included in the required supplemental information.

Note 8 - Risk Management

The Court is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Court has purchased commercial insurance for medical benefits provided to employees, and participates in the Michigan Municipal Risk Management Authority (the "Authority"), a risk pool for claims relating to property loss, torts, and errors and omissions. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims in excess of plan limits remains with the Court.

Note 9 - Retirement Plans

Employees of the Court are covered by the retirement plan of the City of Farmington Hills. Information related to this plan is available at the City of Farmington Hills city offices.

Required Supplemental Information

Michigan 47th District Court

Required Supplemental Information Budgetary Comparison Schedule - Administration Fund Year Ended June 30, 2008

	Original and Amended Budget*	Actual	Favorable (Unfavorable) Variances with Amended Budget
Revenue			
Contributions:			
City of Farmington	\$ 475,073	\$ 457,463	\$ (17,610)
City of Farmington Hills	3,028,414	2,916,160	(112,254)
State funding:			
Judicial salaries	91,448	91,448	-
Drug court	10,000	2,694	(7,306)
Drunk driving	15,000	26,736	11,736
Miscellaneous income	43,800	63,425	19,625
Total revenue	3,663,735	3,557,926	(105,809)
Expenditures			
Salaries and wages	1,801,616	1,782,288	19,328
Employees' longevity pay	46,998	46,998	-
Fringe benefits	22,000	13,939	8,061
Insurance allowance	840	840	-
Vehicle allowance	3,600	3,600	-
Payment in lieu of hospital insurance	38,880	42,786	(3,906)
Social Security	139,621	134,165	5,456
Employees' hospitalization insurance	363,071	320,660	42,411
Employees' life insurance	24,280	23,490	790
Retirement contribution	361,739	367,296	(5,557)
Unemployment compensation	1,600	3,620	(2,020)
Workers' compensation	13,826	12,483	1,343
Employees' optical plan	4,000	3,164	836
Employees' dental plan	49,236	49,761	(525)
Office supplies	49,000	39,985	9,015
Postage	26,157	20,599	5,558
Records management	2,500	738	1,762
Law library	8,690	6,968	1,722
Professional services	14,000	8,544	5,456
Professional services - Labor relations	7,500	9,344	(1,844)
Witness fees	12,500	6,613	5,887
Jury fees	7,000	6,230	770
Interpreter fees	24,000	9,591	14,409
Substitute court reporter	12,000	11,250	750
Court-appointed counsel	90,000	94,810	(4,810)
Accounting fees	31,170	31,200	(30)

Michigan 47th District Court

Required Supplemental Information Budgetary Comparison Schedule - Administration Fund (Continued) Year Ended June 30, 2008

	Original and Amended Budget*	Actual	Favorable (Unfavorable) Variances with Amended Budget
Expenditures (Continued)			
Audit and accounting fees	\$ 14,061	\$ 14,800	\$ (739)
Contractual services	142,382	158,831	(16,449)
Telecommunications	17,500	14,468	3,032
Transportation	17,750	4,173	13,577
Mileage	2,000	1,827	173
Public utilities	122,364	124,092	(1,728)
Maintenance - Office equipment	15,535	7,412	8,123
Building maintenance	68,662	84,072	(15,410)
Cleaning and uniforms	4,000	1,593	2,407
Equipment rental	13,162	13,454	(292)
Memberships	6,080	5,189	891
Miscellaneous	10,000	7,886	2,114
Banking charges	11,000	11,066	(66)
Insurance and bonds	37,415	36,318	1,097
Noncapitalized assets	6,000	5,485	515
Drug court	10,000	3,638	6,362
Capital outlay	10,000	18,053	(8,053)
Total expenditures	<u>3,663,735</u>	<u>3,563,319</u>	<u>100,416</u>
Excess of Expenditures Over Revenue	-	(5,393)	(5,393)
Fund Balance - Beginning of year	<u>38,707</u>	<u>25,996</u>	<u>12,711</u>
Fund Balance - End of year	<u><u>\$ 38,707</u></u>	<u><u>\$ 20,603</u></u>	<u><u>\$ (18,104)</u></u>

* There were no budget amendments in the current year.

Other Supplemental Information

Michigan 47th District Court

Schedule of Cash Receipts and Disbursements Agency Fund Types Year Ended June 30, 2008

	Agency Fund	Trust Fund
Cash and Cash Equivalents - July 1, 2007	\$ 423,756	\$ 432,329
Cash Receipts		
Fines and fees collected	4,769,025	-
Interest and other	40,415	9,346
Bond and escrow receipts and garnishments collected	-	778,282
Total cash receipts	4,809,440	787,628
Disbursements		
Transfers to Court control units:		
City of Farmington	703,107	2,191
City of Farmington Hills	2,813,942	13,966
Transfers to State of Michigan	964,973	-
Transfers to Oakland County	93,024	-
Bond refunds and forfeitures and escrow and garnishments disbursed	-	1,027,146
Transfers to Building Fund	177,152	-
Transfers to Agency Fund	-	5,744
Transfers for clearance cards	36,393	-
Bank charges and other	11,066	-
Total disbursements	4,799,657	1,049,047
Cash and Cash Equivalents - June 30, 2008	<u>\$ 433,539</u>	<u>\$ 170,910</u>

Michigan 47th District Court

**Report to the District Judges
June 30, 2008**



Plante & Moran, PLLC
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To District Judges Marla E. Parker
and James B. Brady
Michigan 47th District Court

We have recently completed our audit of the basic financial statements of the Michigan 47th District Court (the "Court") for the year ended June 30, 2008. In addition to our audit report, we are providing the following report on internal control, results of the audit, and recommendations which impact the Court:

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Report on Internal Control	1-2
Results of the Audit	3-5
Other Recommendations	6-7

We are grateful for the opportunity to be of service to the Michigan 47th District Court. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

October 9, 2008

Report on Internal Control

October 9, 2008

To District Judges Marla E. Parker
and James B. Brady
Michigan 47th District Court

Dear Judges:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Court's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Michigan 47th District Court as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Court's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

To District Judges Marla E. Parker
and James B. Brady
Michigan 47th District Court

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, District Judges Marla E. Parker and James B. Brady, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Gordon E. Krater". The signature is written in a cursive, flowing style.

Gordon E. Krater

Results of the Audit

October 9, 2008

To District Judges Marla E. Parker
and James B. Brady
Michigan 47th District Court

We have audited the financial statements of Michigan 47th District Court for the year ended June 30, 2008 and have issued our report thereon dated October 9, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 14, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Michigan 47th District Court. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of the Michigan 47th District Court, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 26, 2008.

To District Judges Marla E. Parker
And James B. Brady
Michigan 47th District Court

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Michigan 47th District Court are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the Court during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no significant estimates included in the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements requiring adjustment.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

To District Judges Marla E. Parker
and James B. Brady
Michigan 47th District Court

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated October 9, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Court's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the Court, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Court, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Court's auditors.

This information is intended solely for the use of those charged with governance and management of the Michigan 47th District Court and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, reading "Gordon E. Krater". The signature is written in a cursive, flowing style.

Gordon E. Krater

Other Recommendations

Other Recommendations

Purchasing Policy

We recommend that the Court formalize the purchasing principles it practices in written form. This effort will further strengthen internal controls by establishing consistency in purchasing decisions.

Payroll Review

The Court reviews and approves timesheets for employees and then sends them to the City of Farmington for the payroll to be processed. It is our understanding that the Court does not review the payroll registers after payroll is processed at the City to verify that what was recorded on the timesheet reflects what was processed and paid. We recommend that the Court implement procedures to compare the timesheets to the payroll registers on a periodic basis to ensure accuracy.

Wire Transfers

Through our procedures, it came to our attention that there is no documentation indicating who initiated each wire transfer. In addition, there is no evidence that the transfers are being reviewed. We recommend that the Court develop a form to be used for all wire transfers which includes signoff by the initiator and a reviewer.